

disclose the itemization of the amount financed, which assists consumers in understanding whether they are being charged a prepaid finance charge or whether any of the proceeds are being distributed to third parties, and have failed to separate the itemization from all other information provided in connection with the transaction. Also, these franchises failed to provide a descriptive explanation of the financing terms. For example, the named franchises failed to explain that the APR is "the cost of your credit as a yearly rate" and that the finance charge is "the dollar amount the credit will cost you." The named franchises also failed to provide a description of the amount financed, the total of payments, and the total sales price.

Finally, the complaint alleges that all of the named franchises failed to identify the creditor in each transaction, and failed to provide the total sales price.

The consent agreement would prohibit the franchises named herein from failing to accurately calculate and disclose the APR and any other terms required by the TILA.

The consent agreement includes a refund program requiring the named franchises to make adjustments to the account of any consumer to whom they disclosed an APR or finance charge that was lower than the amount the consumer actually was required to pay.

The consent agreement would also require the named franchises to maintain records of their compliance with the consent agreement, distribute copies of the agreement to their employees, and advise the Federal Trade Commission of any changes in their corporate structure.

The purpose of this analysis is to facilitate public comment on the proposed order, and it is not intended to constitute an official interpretation of the agreement and proposed order or to modify in any way their terms.

**Donald S. Clark,**  
Secretary.

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[File No. 932 3040]

**TRIAAC Enterprises, Inc.; Proposed Consent Agreement With Analysis To Aid Public Comment**

**AGENCY:** Federal Trade Commission.

**ACTION:** Proposed consent agreement.

**SUMMARY:** In settlement of alleged violations of federal law prohibiting unfair acts and practices and unfair

methods of competition, this consent agreement, accepted subject to final Commission approval, would require, among other things, a video dating service franchise to properly and accurately disclose the annual percentage rate (APR) and other credit terms of financed memberships, as required by the federal Truth in Lending Act, and would require the franchise to make refunds to consumers who were misled by the undisclosed finance charges and APRs.

**DATES:** Comments must be received on or before August 4, 1995.

**ADDRESSES:** Comments should be directed to: FTC/Office of the Secretary, Room 159, 6th St. and Pa. Ave., NW., Washington, DC 20580.

**FOR FURTHER INFORMATION CONTACT:** Stephen Cohen, FTC/S-4429, Washington, DC 20580. (202) 326-3222.

**SUPPLEMENTARY INFORMATION:** Pursuant to section 6(f) of the Federal Trade Commission Act, 38 Stat. 721, 15 U.S.C. 46 and § 2.34 of the Commission's Rules of Practice (16 CFR 2.34), notice is hereby given that the following consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of sixty (60) days. Public comment is invited. Such comments or views will be considered by the Commission and will be available for inspection and copying at its principal office in accordance with section 4.9(b)(6)(ii) of the Commission's Rules of Practice (16 CFR 4.9(b)(6)(ii)).

**Agreement Containing Consent Order To Cease and Desist**

In the matter of TRIAAC Enterprises, Inc., a corporation; File No. 032 3040.

The Federal Trade Commission having initiated an investigation of certain acts and practices of TRIAAC Enterprises, Inc., a corporation, (hereinafter sometimes referred to as proposed respondent) and it now appearing that proposed respondent is willing to enter into an agreement containing an order to cease and desist from the use of the acts and practices being investigated.

It is Hereby Agreed by and between proposed respondent and counsel for the Federal Trade Commission that:

1. TRIAAC Enterprises, Inc., doing business as Great Expectations of Sacramento ("GE Sacramento"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California with its office and principal place of business located at 2277 Fair Oaks Blvd., Suite 195, Sacramento, CA 95825.

2. Proposed respondent admits all the jurisdictional facts set forth in the draft of complaint.

3. Proposed respondent waives:  
(a) Any further procedural steps;  
(b) The requirement that the

Commission's decision contain a statement of findings of fact and conclusions of law; and  
(c) Any right to seek judicial review or otherwise to challenge or contest the validity of the order entered pursuant to this agreement.

4. This agreement shall not become a part of the public record of the proceeding unless and until it is accepted by the Commission. If this agreement is accepted by the Commission, it, together with the draft of complaint contemplated thereby, will be placed on the public record for a period of sixty (60) days and information in respect thereto publicly released. The Commission thereafter may either withdraw its acceptance of this agreement and so notify proposed respondent, in which event it will take such action as it may consider appropriate, or issue and serve its complaint (in such form as the circumstances may require) and decision, in disposition of the proceeding.

5. This agreement is for settlement purposes only and does not constitute an admission by proposed respondent that the law has been violated as alleged in the draft of complaint, or that the facts alleged in the draft complaint, other than the jurisdictional facts, are true.

6. This agreement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of § 2.34 of the Commission's Rules, the Commission may, without further notice to proposed respondent, (1) issue its complaint corresponding in form and substance with the draft of complaint and its decision containing the following order to cease and desist in disposition of the proceeding, and (2) make information public in respect thereto. When so entered, the order to cease and desist shall have the same force and effect and may be altered, modified, or set aside in the same manner and within the same time provided by statute for other orders. The order shall become final upon service. Delivery by the U.S. Postal Service of the complaint and decision containing the agreed-to-order to proposed respondent's address as stated in this agreement shall constitute service. Proposed respondent waives any right it may have to any other manner of service. The complaint may

be used in construing the terms of the order, and no agreement, understanding, representation, or interpretation not contained in the order or the agreement may be used to vary or contradict the terms of the order.

7. Proposed respondent has read the proposed complaint and order contemplated hereby. It understands that once the order has been issued, it will be required to file one or more compliance reports showing that it has fully complied with the order. Proposed respondent further understands that it may be liable for civil penalties in the amount provided by law for each violation of the order after it becomes final.

## Order

### I

It is ordered that:

A. Respondent GE Sacramento, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the annual percentage rate, as required by sections 107 (a) and (c) of the TILA, 15 U.S.C. 1606 (a) and (c), and sections 226.18(e) and 226.22 of Regulation Z, 12 CFR 226.18(e) and 226.22;

B. Respondent GE Sacramento, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to accurately calculate and disclose the finance charge, as required by section 106 of the TILA, 15 U.S.C. 1605, and sections 226.4 and 226.18(d) of Regulation Z, 12 CFR 226.4 and 226.18(d);

C. Respondent GE Sacramento, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to segregate the disclosures required by the TILA from all other information provided in connection with the transaction, including from the itemization of the amount financed, as required by section 128(b)(1) of the TILA, 15 U.S.C. 1638(b)(1), and section 226.17(a) of Regulation Z, 12 CFR 226.17(a);

D. Respondent GE Sacramento, its successors and assigns, and its officers, agents, representatives, and employees,

directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to make all disclosures in the manner, form, and amount required by sections 122 and 128(a) of the TILA, 15 U.S.C. 1632 and 1638(a), and sections 226.17 and 226.18 of Regulation Z, 12 CFR 226.17 and 226.18;

E. Respondent GE Sacramento, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the offering of credit, do forthwith cease and desist from failing to comply with the TILA, 15 U.S.C. 1601 *et seq.*, and Regulation Z, 12 CFR Part 226.

### II

#### Refund Program

It is Further Ordered that:

A. Within thirty (30) days following the date of service of this order, respondent shall:

1. Determine to whom respondent disclosed on the original TILA disclosure an annual percentage rate that was miscalculated by more than one quarter of one percentage point below the annual percentage rate determined in accordance with section 226.22 of Regulation Z, 12 CFR 226.22, or that disclosed a finance charge that was miscalculated by more than one dollar below the finance charge determined in accordance with § 226.4 of Regulation Z, 12 CFR 226.4, so that each such person will not be required to pay a finance charge in excess of the finance charge actually disclosed or the dollar equivalent of the annual percentage rate actually disclosed, whichever is lower, plus a tolerance of one quarter of one percentage point;

2. Calculate a lump sum refund and a monthly payment adjustment, if applicable, in accordance with section 108(e) of the TILA, 15 U.S.C. 1604(e);

3. Mail a refund check to each eligible consumer in the amount determined above, along with Attachment 1; and

4. Provide the Federal Trade Commission with a list of each such consumer, the amount of the refund, the number of payments refunded, the amount of adjustment for future payments and the number of future payments to be adjusted;

B. No later than fifteen (15) days following the date of service of this order, respondent shall provide the Federal Trade Commission with the name and address of three independent accounting firms, with which it, its officers, employees, attorneys, and

agents, have no business relationship. Staff for the Division of Credit Practices of the FTC shall then have the sole discretion to choose one of the firms ("independent agent") and so advise respondent;

C. Within thirty (30) days following the date of adjustments made pursuant to this section, respondent shall direct the independent agent to review a statistically-valid sample of refunds. Respondent shall provide the Federal Trade Commission with a certified letter from the independent agent confirming that respondent has complied with Part II. A. of this order;

D. All costs associated with the administration of the refund program and payment of refunds shall be borne by the respondent.

### III

It Is Further Ordered that respondent, its successors and assigns, shall maintain for at least five (5) years from the date of service of this order and, upon thirty (30) days advance written request, make available to the Federal Trade Commission for inspection and copying all documents and other records necessary to demonstrate fully its compliance with this order.

### IV

It Is Further Ordered that respondent, its successors and assigns, shall distribute a copy of this order to any present or future officers and managerial employees having responsibility with respect to the subject matter of this order and that respondent, its successors and assigns, shall secure from each such person a signed statement acknowledging receipt of said order.

### V

It Is Further Ordered that respondent, for a period of five (5) years following the date of service of this order, shall promptly notify the Commission at least thirty (30) days prior to any proposed change in its corporate structure such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or affiliates, or any other change in the corporation that may affect compliance obligations arising out of the order.

### VI

It Is Further Ordered that respondent shall, within one hundred and eighty (180) days of the date of service of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

**Attachment 1**

Dear Great Expectations Customer:

As part of our settlement with the Federal Trade Commission for alleged violations of the Truth in Lending Act, we are sending you the enclosed refund check in the amount of \$ \_\_\_\_\_. The refund represents the amount you were overcharged as a result of errors made by Great Expectations in calculating or disclosing the annual percentage rate or finance charge.

[In addition, your future monthly payments have been reduced. Starting immediately, your monthly payments will be \$ \_\_\_\_\_.]

We regret any inconvenience this may have caused you.

Great Expectations

**Analysis of Proposed Consent Order To Aid Public Comment**

The Federal Trade Commission has accepted an agreement to a proposed consent order from respondent TRIAAC Enterprises, Inc. ("GE Sacramento").

The proposed consent order has been placed on the public record for sixty (60) days for reception of comments by interested persons. Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the agreement and the comments received and will decide whether it should withdraw from the agreement or make final the agreement's proposed order.

The complaint alleges that GE Sacramento, as a creditor under the Truth in Lending Act ("TILA"), has violated the TILA and its implementing Regulation Z. Specifically, the TILA requires creditors to make clear and consistent disclosures of the credit terms in a financed transaction. GE Sacramento failed to accurately calculate and disclose the annual percentage rate ("APR") and the finance charge, which resulted in some consumers paying more in interest charges and finance charges than the franchise disclosed. The complaint further alleges that this practice is unfair or deceptive in violation of the Federal Trade Commission Act.

Additionally, the complaint alleges that GE Sacramento failed to accurately disclose the itemization of the amount financed, which assists consumers in understanding whether they are being charged a prepaid finance charge or whether any of the proceeds are being distributed to third parties, and failed to separate the itemization from all other information provided in connection with the transaction. Also, GE Sacramento failed to provide a descriptive explanation of the financing

terms. For example, GE Sacramento failed to explain that the APR is "the cost of your credit as a yearly rate" and that the finance charge is "the dollar amount the credit will cost you." GE Sacramento also failed to provide a description of the amount financed, the total of payments, and the total sales price.

Finally, the complaint alleges that GE Sacramento failed to identify the creditor in each transaction.

The consent agreement would prohibit GE Sacramento from failing to accurately calculate and disclose the APR and any other terms required by the TILA.

The consent agreement includes a refund program requiring GE Sacramento to make adjustments to the account of any consumer to whom it disclosed an APR or finance charge that was lower than the amount the consumer actually was required to pay.

The consent agreement would also require GE Sacramento to maintain records of its compliance with the consent agreement, distribute copies of the agreement to its employees, and advise the Federal Trade Commission of any changes in its corporate structure.

The purpose of this analysis is to facilitate public comment on the proposed order, and it is not intended to constitute an official interpretation of the agreement and proposed order or to modify in any way their terms.

**Donald S. Clark,**  
*Secretary.*

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[File No. 932 3040]

**V.L.P. Enterprises, Inc.; Proposed Consent Agreement With Analysis To Aid Public Comment**

**AGENCY:** Federal Trade Commission.

**ACTION:** Proposed consent agreement.

**SUMMARY:** In settlement of alleged violations of federal law prohibiting unfair acts and practices and unfair methods of competition, this consent agreement, accepted subject to final Commission approval, would require, among other things, a video dating service franchise to properly and accurately disclose the annual percentage rate (APR) and other credit terms of financed memberships, as required by the federal Truth in Lending Act, and would require the franchise to make refunds to consumers who were misled by the undisclosed finance charges and APRs.

**DATES:** Comments must be received on or before August 4, 1995.

**ADDRESSES:** Comments should be directed to: FTC/Office of the Secretary, Room 159, 6th St. and Pa. Ave., NW., Washington, DC 20580.

**FOR FURTHER INFORMATION CONTACT:** Stephen Cohen, FTC/S-4429, Washington, DC 20580. (202) 326-3222.

**SUPPLEMENTARY INFORMATION:** Pursuant to Section 6(f) of the Federal Trade Commission Act, 38 Stat. 721, 15 U.S.C. 46 and Section 2.34 of the Commission's Rules of Practice (16 CFR 2.34), notice is hereby given that the following consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of sixty (60) days. Public comment is invited. Such comments or views will be considered by the Commission and will be available for inspection and copying at its principal office in accordance with Section 4.9(b)(6)(ii) of the Commission's Rules of Practice (16 CFR 4.9(b)(6)(ii)).

**Agreement Containing Consent Order to Cease and Desist**

In the matter of V.L.P. Enterprises, Inc., a corporation; File No. 932 3040.

The Federal Trade Commission having initiated an investigation of certain acts and practices of V.L.P. Enterprises, Inc., a corporation, (hereinafter sometimes referred to as proposed respondent) and it now appearing that proposed respondent is willing to enter into an agreement containing an order to cease and desist from the use of the acts and practices being investigated,

It Is Hereby agreed by and between proposed respondent, its attorneys, and counsel for the Federal Trade Commission that:

1. V.L.P. Enterprises, Inc., doing business as Great Expectations of San Diego ("GE San Diego"), is a corporation organized, existing, and doing business under and by virtue of the laws of the state of California, with its office and principal place of business located at 3465 Camino Del Rio South, Suite 300, San Diego, CA 92108.

2. Proposed respondent admits all the jurisdictional facts set forth in the draft of complaint.

3. Proposed respondent waives:

- (a) Any further procedural steps;
- (b) The requirement that the Commission's decision contain a statement of findings of fact and conclusions of law; and
- (c) Any right to seek judicial review or otherwise to challenge or contest the validity of the order entered pursuant to this agreement.